I-1550 MAGI DETERMINATIONS

I-1551 MODIFIED ADJUSTED GROSS INCOME (MAGI)

Effective January 1, 2014, in accordance with Section 1004(a)(2) of the Patient Protection and Affordable Care Act of 2010 and codified at Section 36B(d)(2)(B) of the Internal Revenue Code, Modified Adjusted Gross Income (MAGI) methodology is used to determine financial eligibility for Medicaid, Children's Health Insurance Programs (CHIP), cost sharing reductions, and advanced premium tax credits (APTC) through the Federally Facilitated Marketplace (FFM).

Exception:
The MAGI methodology is not used to determine financial eligibility for the Medicaid Savings Program (MSP) or non-MAGI-related program groups (formerly referred to as the aged, blind, or disabled categories).

MAGI is a methodology for how income is counted and how household composition and family size is determined. It is not a number on a tax return but is based on federal rules for determining adjusted gross income. MAGI-based rules are used to determine eligibility for the following groups of applicants/enrollees:

- <u>Adults</u>;
- Parents and caretaker relatives;
- Pregnant women;
- Child-related groups; and
- Other adult-related groups:
  - Breast and Cervical Cancer (BCC);
  - Greater New Orleans Community Health Connection (GNOCHC);
  - Refugee Medical Assistance (RMA);
  - Regular and Spend-Down Medically Needy;
  - Take Charge Plus (TCP); and
  - Tuberculosis (TB).

Note:
Although former foster care children are a MAGI-related eligibility

group, income, resources, and insurance status are not considered when determining eligibility.

To determine MAGI-related Medicaid eligibility:

- Construct a Medicaid household for each applicant;
- Establish the family size for each Medicaid household; and
- Determine the household income for each Medicaid household.

I-1552 MAGI HOUSEHOLD

A MAGI determination will be necessary for each individual in the home for whom coverage is being requested. The MAGI household resembles the tax household. The individual's relationship to the tax filer and every other household member must be established for budgeting purposes. The MAGI household is constructed based on whether an individual is a:

- Tax filer;
- Tax dependent; or
- Non-filer (neither a tax filer nor a tax dependent).

For the tax filer, the MAGI household consists of the following:

- The tax filer (includes married tax filers filing jointly or living together); and
- All claimed tax dependents.

Note:
Whether claimed or not, the tax filer's spouse, who lives in the home, must be included. If a child files taxes and is counted as a tax dependent on his/her parent's tax return, the child is classified as a tax dependent not a tax filer.

For the tax dependent, the MAGI household consists of the following:

- The tax filer;
- All other claimed tax dependents; and
- The tax dependent's legal spouse, whether claimed or not.

Refer to the Non-Filer Rules section of this policy for when an exception is met.

Exceptions include:

- Being claimed as a tax dependent by a tax filer other than a parent or spouse (for example, a grandchild, niece, or tax filer's parent). See Example B.

Example A:

Mimi lives with her child, Mikey, and her boyfriend, Dan, who is the father of Mikey. Dan works and claims Mimi and Mikey on his tax return. Mikey already receives Medicaid. Mimi is the only person applying for coverage since Dan is not requesting coverage for himself.

Mimi meets the MAGI household exception of being claimed as a tax dependent by a tax filer other than a parent or spouse since she will be claimed by Dan (someone other than a married spouse) on their tax return.

The MAGI household for Mimi is determined by using non-filer rules, and consists of herself and Mikey.

Example B:

Mary is the tax filer and the grandparent of Joey, age 11.

Since Mary is a tax filer, Mary's MAGI household consists of herself and her grandson, Joey.

Joey is a tax dependent and meets an exception because he is being claimed as a tax dependent by a tax filer other than a parent or spouse. Since this is an extended family situation, his MAGI household is determined using non-filer rules, and consists of himself only.

Example C:

John and Rebecca are in a non-legal union. Rebecca has a 12-year-old child from a previous union, Samantha. John claims Rebecca and Samantha as tax dependents.

Although Samantha is a tax dependent for John, she meets and exception because she is being claimed as a tax dependent by a tax filer other than a parent or spouse. John is not her natural, adoptive, or legal parent; therefore, her MAGI household is determined using non-filer rules, and consists of herself and her mother Rebecca.

- Children under age 19, living with two parents, who do not expect to file a joint tax return (including step-parents).

  Example:

  Bob is married to Jane and they file separately. Bob has one child from a previous union, Alice, who is 20 years old, that he claims on his taxes. He and Jane have two (2) children together. Jane claims herself and their two (2) children on her taxes. Each individual is applying for coverage.

  Since Bob is a tax filer, Bob's MAGI household consists of himself, Alice, and his wife, Jane.

  Since Jane is also a tax filer, Jane's MAGI household consists of herself, her husband, Bob, and their two (2) children together.

  Bob and Jane's two (2) children in common meet an exception because they are children living with two parents who do not expect to file a joint tax return. They are claimed as tax dependents by their mother, Jane, but reside with both of their parents, their MAGI household is determined using non-filer rules and consists of Bob, Jane, and themselves. (Although Alice is a tax dependent of Bob and a half sibling of the other children, using non-filer rules, she is not part of this MAGI household because she is not under age 19).

  The MAGI household for Alice consists of herself, her father, Bob and Bob's legal spouse, Jane (same household as Bob).

- Children under age 19 claimed as a tax dependent by a non-custodial parent.

  Example:

  Susan and John are divorced and living apart. Their children, Harry and Jordan, live with their custodial parent, Susan. John pays child support throughout the year and claims Harry and Jordan on his taxes as dependents.

Although Harry and Jordan are claimed as tax dependents by their father, an exception is met since they live with their mother, Susan, who is the custodial parent. Their MAGI household consists of themselves and their mother, Susan.

Non-Filer Rules

Determine the MAGI household using Non-Filer Rules for individuals who are tax dependents but meet one of the exceptions and for individuals who do not file taxes nor expect to be claimed as a tax dependent. The MAGI household, using non-filer rules, consists of the following individuals who all live together:

- For an adult:
  - The individual’s spouse; and
  - The individual’s natural, adopted, and step-children under age 19.
- For a minor:
  - The individual’s natural, adoptive, or step-parents;
  - The individual’s natural, adopted, and step-siblings under age 19;
  - The individual’s legal spouse; and
  - The individual’s natural, adopted, and step-children under age 19.

Example:

David and Terri do not file or expect to file taxes. They live together and have three (3) children as a couple: Edmond, age 12; Trent, age 9; and Joseph, age 6. David has one (1) child from a previous union: Wendy, age 17.

The MAGI household for David is himself and his four (4) children: Wendy, Edmond, Trent, and Joseph.

The MAGI household for Terri is herself and her three (3) children: Edmond, Trent, and Joseph.

Wendy's MAGI household is herself and her father, David, and her half siblings: Edmond, Trent, and Joseph.

The MAGI household for Edmond, Trent, and Joseph, includes themselves, their half sibling, Wendy, and both of their natural parents, David and Terri.

Note:
If David and Terri were married, this would bring the whole family together such that the MAGI household would then be David, Terri, Wendy, Edmond, Trent, and Joseph.

I-1553 MAGI RELATED TYPES OF INCOME

ALIMONY

Count as unearned income payments made directly to the household from non-household members.

ALIEN SPONSOR'S INCOME

Refer to I-1411.1 Alien Sponsor.

ANNUITY INCOME

Count any taxable portion of annuity income.

BUSINESS INCOME (OR LOSS)

Count net profit or loss from partnerships, corporations, etc.

CAPITAL GAIN (OR LOSS)

Allow for a capital gain or loss when budgeting.

CONTRACTUAL INCOME

Annual income received under an implied, verbal, or written contract in less than twelve (12) months shall be averaged over the twelve (12) month period it is intended to cover unless the income is received on an hourly or piecework basis. Examples include the income received by teachers, teacher's aides, and school bus drivers.

DISABILITY INSURANCE BENEFITS

Count as unearned income.

> **Exception:**
> Count as earned income if federal and/or state taxes are being deducted.

DIVIDENDS

Count as unearned income. Average dividends for the period they are intended to cover.

INTEREST

Count as unearned income (this includes tax exempt interest). Average interest income for the period it is intended to cover. Sources could include financial accounts, US treasury bills, bonds, state or municipal bonds or mutual funds.

IRREGULAR AND UNPREDICTABLE INCOME

Count as earned income in the month of receipt.

JOB TRAINING PARTNERSHIP ACT OF 1982 (JTPA)

Income received from employment through the JTPA program is earned income.

> **Note:**
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> JTPA income, received for training through the JTPA program, is considered unearned income.

LUMP SUM PAYMENTS

For all MAGI-related applicants/enrollees, count a non-recurring cash payment as income only in the calendar month of receipt. This includes insurance settlements, back pay, state tax refunds, inheritance, IRA or other retirement distributions, and retroactive benefit payments.

OIL AND LAND LEASES

Prorate regular recurring income from leases over the period it is intended to cover and count as unearned income.

Payments received in the first year of the oil lease, which are above the regular recurring rental and payments received when an oil lease is written for only one year, are treated as non-recurring lump sum payments.

PENSIONS AND ANNUITIES

Count as unearned income.

POTENTIAL INCOME

Income is potentially available when the applicant/enrollee has a legal interest in a liquidated sum and has the legal ability to make this sum available for the support and maintenance of the assistance unit.

Count potential income when it is actually available as well as when it is potentially available but the applicant/enrollee chooses not to receive the income.

If the agency representative is unable to determine the amount of benefits available because of the applicant/enrollee's inability or refusal to cooperate, reject the case for failure to cooperate. Refer to G-1100 Cooperation.

RAILROAD RETIREMENT

Count the amount of the entitlement as unearned income, including the amount deducted from the check for the Medicare premiums, less any amount that is being recouped for a prior overpayment.

RENTAL PROPERTY

Ownership of rental property is considered a self-employment enterprise. Income received from rental property may be earned or unearned. To be counted as earned income, the applicant/enrollee must perform some work-related activity. If the applicant/enrollee does not perform work-related activity, the money received is unearned income. Deduct only allowable expenses associated with producing the income. If the income is earned, also allow other earned income deductions.

RETIREMENT

Count the gross amount of retirement benefits as unearned income, including military retirements.

ROYALTIES

Count as unearned income. Prorate royalties for the period they are intended to cover.

SCHOLARSHIPS, AWARDS, OR FELLOWSHIP GRANTS

Count as unearned income if used for living expenses such as room and board and not for education purposes.

Academic scholarships, awards, or fellowship grants, used for room and board, travel, research, clerical help or equipment not required for enrollment at the educational institution, are counted as unearned.

The part of any scholarship or fellowship grant that represents payment for teaching, research or other services required as a condition for receiving the scholarship is also considered as unearned income, unless received under the National Health Service Corps Scholarship (NHSCS) program or the Armed Forces Health Professionals Scholarship and Financial Assistance Program (AFHPSFAP).

SEASONAL EARNINGS

Count as earned income in the month received.

If contractual, such as a bus driver or teacher's earnings, prorate the earned income over the period it is intended to cover.

If earnings are self-employment seasonal income, refer to Self-Employment Income.

SELF-EMPLOYMENT INCOME

This is income received from an applicant/enrollee's own business, trade, or profession if no federal or state withholding tax or Social Security tax is deducted from his earnings. This may include earnings as a result of participation in Delta Service Corps and farm income.

Expenses

Allow the same expenses as those allowed when filing taxes on an Internal Revenue Services (IRS) Schedule C, or Farm Income Schedule F.

Note:

Self-attestation of income from self-employment is not allowed.

SOCIAL SECURITY RETIREMENT, SURVIVORS AND DISABILITY INSURANCE BENEFITS (RSDI)

Count the amount of the entitlement as unearned income, including the amount deducted from the check for the Medicare premium, less any amount that is being recouped for a prior overpayment.

Note:

Supplemental Security Income (SSI) is excluded. If an individual receives RSDI and SSI, count only the RSDI portion and none of the SSI income.

TAXABLE REFUNDS

Count as unearned income taxable refunds, credits, or offsets of state and local income taxes if claimed on IRS Form 1040.

TRUST FUNDS

Count as unearned income trust withdrawals, dividends, or interest that are, or could be, received by the applicant/enrollee.

TUTORSHIP FUNDS

Count as unearned income any money released by the court to the applicant/enrollee.

UNEMPLOYMENT COMPENSATION BENEFIT (UCB)

Count payments as unearned income in the month of receipt.

WAGES, SALARIES, TIPS, AND COMMISSIONS

Count taxable gross wages, salaries, tips, and commissions, including paid sick and vacation leave, as earned income.

Include as earned income vendor payments made by the employer instead of all or part of the salary.

Include the cash value of an in-kind item received from an employer instead of all or part of the salary.

Include foreign earnings.

WORK STUDY PROGRAM.

Count payments as unearned income in the month of receipt.

The following types of income are not considered for MAGI budgeting:

Adoption assistance (income amounts paid or expenses incurred by your employer).

Agent Orange Settlement payments.

American Indian and Native American Claims and Lands and income distributed from such ownership.

- Distributions from Alaska Native Corporations and Settlement Trusts;
- Distributions from any property held in trust, subject to Federal restrictions, located within the most recent boundaries of a prior Federal reservation, or otherwise under the supervision of the Secretary of the Interior;
- Distributions and payments from rents, leases, rights of way, royalties, usage rights, or natural resource extraction and harvest from:
    - Rights of ownership or possession in any lands held in trust, subject to Federal restrictions, located within the most recent boundaries of a prior Federal reservation, or otherwise under the supervision of the Secretary of the Interior; or
    - Federally protected rights regarding off-reservation hunting, fishing, gathering, or usage of natural resources;
- Distributions resulting from real property ownership interests related to natural resources and improvements
    - Located on or near a reservation or within the most recent boundaries of a prior federal reservation; or
    - Resulting from the exercise of federally-protected rights relating to such real property ownership interests;
    - Payments resulting from ownership interests in or usage rights to items that have unique religious, spiritual, traditional, or cultural significance or rights that support subsistence or a traditional lifestyle according to applicable tribal law or custom;
    - Student financial assistance provided under the Bureau of Indian Affairs education programs.

Cash Contributions.

Census Bureau Earnings.

Child Support Payments received for anyone in the home.

Contributions from Tax-Exempt organizations.

Disaster Payments.

Domestic Volunteer Service Act.

Earned Income Credits.

Educational Loans.

Energy Assistance.

Foster Care Payments.

Housing and Urban Development (HUD) Block grant funds, HUD payments or subsidies.

In-Kind Support and Maintenance.

Kinship Care Subsidy Program (KCSP).

Loans.

Nutritional Programs.

Radiation Exposure.

Relocation Assistance.

Scholarships, awards, or fellowship grants used for education purposes and not for living expenses are excluded from income, providing the student is:

- A candidate for a degree at an eligible educational institution, as described in section 170(b)(1)(A)(ii) of the Internal Revenue Code; and
- The amount for qualified educational expenses, including tuition and fees required for enrollment or attendance at the educational institution, for books, supplies and equipment required for courses of instruction at the institution.

Supplemental Security Income.

Note:

SSI income is excluded. If an individual receives RSDI and SSI, count only the RSDI portion and none of the SSI income.

Temporary Assistance for Needy Families (TANF).

Vendor Payments.

Veterans Benefits.

Women, Infants and Children (WIC) program.

Workers Compensation.

I-1554 MAGI INCOME

To determine the anticipated taxable gross income of each member of the MAGI household, use income received in the calendar month prior to the month of application or renewal as an indicator. Determine the income eligibility of the household based on anticipated income and circumstances unless it is discovered that there are factors that will affect income currently or in future months.

Self-Attestation of Income

Self-attested income is unverified income information provided by the applicant/enrollee.

Accept the self-attested income amount when the reasonable compatibility standard is met.

"Reasonable compatibility" is a difference of no more than 25 percent between the self-attested income amount and the amount found in a systems check of data sources.

If the individual's self-attested income is more than the income found in a systems check, the self-attested income amount is used without further verification.

If the individual's self-attested income is less than the income found in a systems check, but the difference between the two is less than 25 percent, the reasonable compatibility standard is met. Use the self-attested income amount without further verification.

Exceptions:

- Self-attestation of income from self-employment is not acceptable. It is necessary to verify all self-employment income.

Additional Verification is Required

If the individual's self-attested income is less than the income found in a systems check, but the difference between the two is 25 percent or more, the reasonable compatibility standard is not met. Request from the applicant/enrollee a reasonable explanation of the difference between self-attested income and income found through a system check. If the applicant/enrollee fails to provide a reasonable explanation, request verification of income.

Verify according to the verification requirements, see S-0000 Verification and Documentation.

There are generally two budgeting techniques used in determining income eligibility:

- Prospective income budgeting; and
- Actual income budgeting.

I-1554.1 Prospective Income Budgeting

In general, prospective income budgeting involves looking at past income to determine anticipated future income. Use income earned in the calendar month prior to the month of application or renewal that the applicant/enrollee will be expected to earn in the current and future months.

For fluctuating earned income, budget the amount that the individual can reasonably be expected to have available in future months.

Estimate monthly earned income based on the latest information available to the agency at the time of application or as provided to the agency prior to the final decision date. Do not use income earned in the month prior to the month of application or renewal to determine the best estimate if the client started employment in the prior month or a change (e.g., termination, interruption, pay raise, change in number of hours worked, etc.) has occurred or is anticipated.

Note:
A change for purposes of this section does not include normal fluctuations in the number of hours worked, amount paid or short term temporary changes such as covering for another employee who was ill. It does include changes in hourly wage, changing from part- to full-time or vice-versa, etc.

To determine gross monthly income, use the following conversion factors:

- Divide yearly income by 12;
- Multiply weekly income by four (4);
- Add amounts received twice a month; or
- Multiply amounts received every other week by two (2).

I-1554.2 Actual Income Budgeting

Actual income budgeting involves looking at income actually received within a specific month to determine income eligibility for that month. Actual income should be used for all retroactive coverage.

Use actual income or the best estimate of anticipated actual income if:

- The income terminates during the month;

- The income begins during the month; or
- The income is interrupted during the month.

Note:
For unique circumstances, use the method that gives the most accurate estimate of earnings.

I-1554.3 Rounding Procedures

Round only in calculating gross monthly earned income.

In calculating gross monthly earned income, round off to the nearest dollar after the computation of the monthly earnings using the conversion factor. Do not round until after the conversion in this situation.

Round down in each calculation that equals 49 cents or less. Round up in each calculation that equals 50 cents or more.

Exception:
Do not round off calculations of less than weekly income, such as hourly or daily wages.

I-1554.4 Income of Children and Tax Dependents

Count the income of a child who is included in the household of a natural, adopted or step-parent, or a tax dependent in the household of the tax filer, when the income meets the tax filing threshold and the child or tax dependent is required to file a tax return.

Refer to Z-500 Filing Requirements for Children and Tax Dependents.

Do not use Social Security benefits or other non-taxable income to determine if a child or tax dependent meets the tax filing threshold.

I-1554.5 Allowable Tax Deductions for MAGI

Allow the following deductions from an individual's taxable gross income to arrive at the individual's adjusted gross income:

Note:
When provided with the individual's adjusted gross income, the

following deductions have already been applied:

- Educator expenses;
- Certain business expenses of reservists, performing artists and fee basis government offices;
- Health savings account deduction;
- Moving expenses;
- The deductible part of self-employment tax;
- Self-employed and other qualified plans, including:
  - A Simplified Employee Pension (SEP); or
  - A Savings Incentive Match Plan for Employees (SIMPLE);
- Self-employed health insurance deductions;
- Penalties on early withdrawal of savings;
- Alimony paid outside the home;
- IRA deductions;
- Student loan interest deductions;
- Tuition and fees; or
- Domestic production activities deductions.

Obtain verification of any and all applicable deductions.

I-1555 MAGI - FINANCIAL ELIGIBILITY

I-1555.1 Resources

There is no asset or resource test for the MAGI groups.

I-1555.2 MAGI Budget Steps

To determine income eligibility:

- Determine household c omposition per individual.
  - Household members receiving benefits based on need, such as SSI or Family Independence Temporary Assistance Program (FITAP), will be included in the income unit; if their income is non-taxable, then it is excluded.

  - Individuals certified in waivers will also be included in the income unit; exclude non-taxable income except for RSDI.
  - Include the number of unborn(s) in the income unit when determining eligibility for a pregnant woman.
- Determine net countable income per individual in the household composition.
  - If applicable, begin with the taxable gross income.
  - There are no disregards or deductions on the MAGI-related budgets other than the taxable deductions used to arrive at the net countable income (or adjusted gross income).
  - Combine the net countable income of all of the appropriate household members.
- Remember, for a tax filer, the income of a tax dependent is not counted when less than the tax filing threshold.
- Five (5) percent disregard on MAGI budgets.
  - Five (5) percent is added to the upper income limit for MAGI groups to allow for the disregard.
- Compare the combined net countable income for the individual's household to the applicable income standard for the household size. Refer to Z-200 Federal Poverty Income Guidelines.
  - If the countable income is below the income standard for the applicable MAGI group, the individual is income eligible.
  - If the countable income is above the income standard for the applicable MAGI group, the individual is income ineligible.